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Japan-ASEAN Partnership in an Era of Multiple Regional Integration Frameworks

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JAPAN'S RECENT EMPHASIS on ASEAN as a key foreign policy partner has been reinforced since Shinzo Abe returned to the post of prime minister in December 2012.¹ This is evidenced by the fact that during the first year of his second term he became the first Japanese prime minister to visit all 10 ASEAN member states. It can also be seen in Abe's commitment to hosting the second ASEAN-Japan Commemorative Summit in Tokyo in December 2013 to celebrate 40 years of the Japan-ASEAN relationship. The summit was organized in the wake of China's announcement of its Air Defense Identification Zone (ADIZ) in the East China Sea, and thus Japan saw the summit as an opportunity to work with ASEAN to check Beijing's regional influence. Abe managed to reach a basic agreement with his ASEAN counterparts despite reservations expressed by a few ASEAN leaders who hoped to avoid overtly provoking China. The result was a joint statement affirming that Japan and ASEAN would "enhance cooperation in ensuring the freedom of overflight and civil aviation safety in accordance with the universally recognized principles of international law" as well as the standards and practices of the International Civil Aviation Organization.

Abe's strong interest in ASEAN also stems from an economic dimension, a point that is relevant to Abe's high degree of public support, which has been attributed mainly to the implementation of Abenomics. Abe's decision to promote monetary easing schemes as a tool to help Japan overcome deflation, which has stalled the Japanese economy for more than a decade, had contributed to doubling Japanese stock prices in value, and the yen has dropped by approximately one-third against the dollar—from roughly ¥80

to ¥120, a two-pronged improvement that was expected to revitalize export industries since Abe came to power in 2012. An important question that remains regarding Abenomics is whether Japan can make use of regional integration as an effective vehicle to push for domestic reform agendas, including agricultural liberalization, with a view to attaining further economic growth. In fact, with ASEAN aiming to establish its own ASEAN Economic Community (AEC) in 2015, negotiations have begun on four different regional integration frameworks in Asia since 2010: a free trade agreement (FTA) among China, Japan, and South Korea (hereafter, CJK FTA); the Regional Comprehensive Economic Partnership (RCEP) comprising the 16 countries of ASEAN+6; and a US-led Trans-Pacific Partnership (TPP). Japan has entered the negotiations on all of these, presenting a golden opportunity for the expansion of Japan's trade and investment.

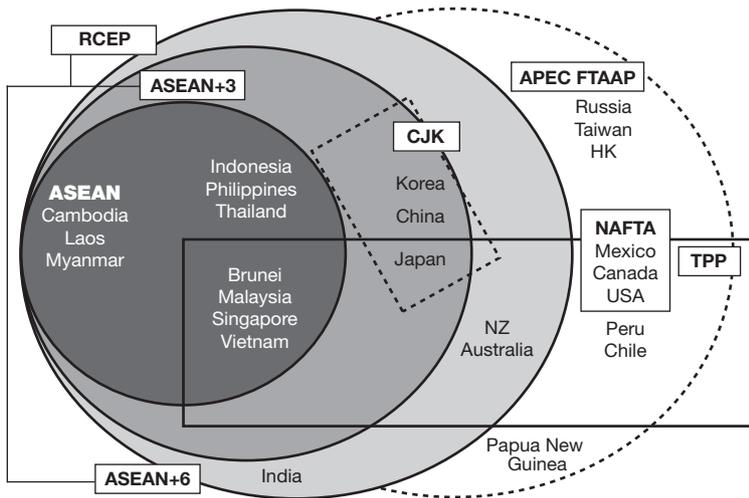
What are the policy implications of this complex profusion of regional integration initiatives for ASEAN, for Japan, and for their partnership? What policies should ASEAN and Japan adopt in the midst of these rapidly changing regional economic and political circumstances? One of the key factors that makes it desirable for ASEAN and Japan to adjust their partnership in response to this changing regional trade environment is that the contents, rules, and membership of each framework are different. It is therefore urgent that both sides implement reforms that allow them to capture the benefits of this trend for their future growth, particularly as China continues to emerge as a more active player in the region's political and economic games for its own benefits.

THE ERA OF MULTIPLE REGIONAL INTEGRATION FRAMEWORKS

The principal factor behind the emergence of multiple regional integration initiatives in Asia and the Pacific is that the United States and China have been promoting competing regional integration concepts, reflecting their respective preferences over the issues to be covered. Although the United States long remained on the sidelines of Asian integration initiatives, it is now seeking high-quality "World Trade Organization (WTO)-Plus" (such as the protection of intellectual property and the facilitation of human movement for business purposes) and regional integration through the TPP, while China's commitment to regional integration frameworks such as the RCEP is strongly oriented toward developing countries and favors more exemptions in the form of tariff elimination duties, with few deregulation requirements and consequently few reforms required of domestic

economic systems. Given that the RCEP is based on the ASEAN+1 FTAs, and that the speed and level of liberalization is accordingly going to be based on the standard that ASEAN members generally prefer, the dissimilarities in these various Asian integration models make any future merger of the TPP and RCEP difficult. This also means that the United States and China will likely continue to compete with each other over trade and investment rulemaking in the region.

Figure 1. Entanglement of regional integration in Asia and the Pacific (as of January 2015)



As depicted in the diagram above, before the US-China power struggle for influence over the regional trade and investment rules emerged, separate regional institutions were founded that were characterized by ASEAN's central position and by each having its own summit meeting. In the case of ASEAN+6, for example, it is the East Asia Summit (EAS). These concentric integration frameworks geographically centered on ASEAN grew by expanding the membership from ASEAN to ASEAN+3 and then to ASEAN+6.

However, the phrase "centered on ASEAN" can be easily misunderstood. This does not signify that ASEAN has acted as a driving force behind the development of regional integration in East Asia. The main function of ASEAN's centrality has been to provide venues for meetings by, for instance, conveniently hosting summit and ministerial meetings.² The problem with the concentric circles of this regional integration concept is that if ASEAN integration does not move forward, the integration of a wider framework

such as ASEAN+6, which includes major extraregional countries, will also not advance. Former Singaporean Prime Minister Goh Chok Tong once stated that if liberalization is sought through the WTO, APEC, or the like, it devolves to the lowest common denominator, and so the actions of liberalization-oriented countries are fettered by countries that do not desire liberalization. The least enthusiastic country ends up holding back trade liberalization, acting as a critical obstacle to regional integration. If liberalization is conducted unilaterally, the “free rider” problem arises in which a country keeps barriers to the entry of imported goods high while freely exporting its own goods to the markets of other countries that have lowered those barriers. Especially in the case of competing products, there is the underlying possibility that this will emerge as a domestic political problem in the more liberalized country, where it may pose a threat to jobs.

A major reason why negotiations on East Asian integration through the convergence of the five ASEAN+1 FTAs had not been pursued for many years was that ASEAN became reluctant to see its role as a hub be reduced. ASEAN, as a loose group of relatively small economies, inevitably depends upon external economies for its growth through foreign direct investment (FDI) and exports, but its institutional significance would be diminished if a larger arrangement such as the proposed regional integration frameworks by larger states such as Japan and China developed rapidly. ASEAN’s reluctance to move forward on trade liberalization by itself, or perhaps its inability to take the political initiative as a unified player on a wider form of regional integration, can be seen in the fact that it has never proposed any ASEAN+1 FTA to its external partners. Yet, Japan and China, which had previously been competing over whether ASEAN+3 or ASEAN+6 should be the framework for East Asian integration, set their spears aside in August 2011 and jointly proposed the founding of a working group to promote the liberalization of trade and investment. This joint initiative stemmed from concerns on the part of both large economies that while TPP negotiations were progressing, East Asian–based integration frameworks would not move forward if it were left up to ASEAN alone. This led to the Indonesian proposal for the RCEP in November 2011.

The development of the TPP, which caused a structural change in the ASEAN-centered East Asian integration process, also splits ASEAN by skewering the concentric circles graphically centered on ASEAN, as indicated in the diagram. Since the Philippines has now studied all the pros and cons of the TPP, the likelihood of there being five participating countries from ASEAN has increased. This scenario would also cast doubt on ASEAN’s capability to continue to prioritize ASEAN centrality, resulting in a stronger impression of an ASEAN rift. Former Indonesian Trade Minister

Gita Wirjawan stated in 2013, “The TPP is not a threat to ASEAN, and the selection of integration framework differs according to the conditions in each member of ASEAN, but since the TPP allows virtually no exceptions to tariff elimination, Indonesia would have many problems and so there are no plans to participate.”³ This statement indicates that as a result of the advent of the TPP, those countries within ASEAN that share a vision for regional integration are likely to participate and to proceed with the necessary domestic reforms to prepare for a high degree of liberalization. It also indicates that the “lowest common denominator” approach to liberalization, which has delayed the regional integration process within ASEAN and East Asia to date, will no longer be applied. This situation can be expected to weaken and eventually negate the ASEAN centrality thesis in regional integration. In this case, the launch of the RCEP negotiations in 2013 would appear to have been premature for ASEAN, meaning that it should have followed the establishment of the AEC in 2015, an approach that would have assisted in developing ASEAN as a more monolithic player.

DEEPER REGIONAL INTEGRATION AND ASEAN’S CHALLENGES

Before the TPP’s influence began to expand in East Asia, ASEAN—despite the small economic size of most of its members—was considered to be functioning as a hub through its five ASEAN+1 FTAs with China, Japan, Korea, Australia/New Zealand, and India. Therefore, ASEAN leaders have taken advantage of various occasions and platforms to consistently highlight the central role that ASEAN has played in leading and shaping the development of the regional architecture of East Asia.⁴ ASEAN is not, however, a well-unified single player; it remains a group of fragmented, relatively small states that do not enjoy material predominance. In fact, East Asia’s business community recognizes ASEAN as a loose collection of 10 countries with 10 different sets of economic rules.⁵

ASEAN’s source of power may be its nonthreatening posture, which holds value while Japan and China are engaged in power struggles in East Asia and so judge it appropriate to maintain good relations with ASEAN, both as a third party and as a group of 10 countries. China and Japan have become strongly suspicious of each other’s initiatives, but they lack any strong incentives to drive ASEAN to side with one over the other. In order to attract ASEAN to their side, they have both tried to support ASEAN as a prerequisite for East Asian integration rather than engaging in full-scale competition for regional hegemony.

The “ASEAN Way,” a guiding principle that includes the absolute respect for state sovereignty, noninterference in the domestic affairs of other members, and avoidance of a legally binding approach to decisions, has often been cited as an impediment to high-level regional integration. This is because it tends to avert transnational cooperation that imposes regulations and obligations on each state. The ASEAN Way is primarily applied to the political and security fields, but the basic idea can also be employed in the economic field. Regional integration through FTAs, for instance, involves legally binding provisions for the reciprocal exchange of preferences that discriminate against non-partner countries and thus presents itself as an approach that is inharmonious with the ASEAN Way. ASEAN has no centralized mechanisms through which it can either enforce agreements struck among members or monitor domestic affairs within member states. Accordingly, in regional decisions such as the elimination of tariffs, no penalties have actually been applied for nonfulfillment, encouraging the members to determine exceptional measures individually. It seems that a mismatch between the ASEAN Way and deeper economic integration practices like those negotiated in the TPP has hindered the further institutionalization of ASEAN economic cooperation, not to mention wider East Asian integration. As a result, voices appealing for the abandonment of the ASEAN Way are beginning to be heard. For example, former ASEAN Secretary-General Surin Pitsuwan has stated, “If there is no strong centralized power mechanism, it is very difficult to survey and coordinate all problems that could become serious matters,”⁶ and he has called for a strengthening of the authority of the secretariat in a manner similar to the European Union (EU) and for tighter regulation of participating members.

Another issue is the so-called “ASEAN divide” problem of intraregional disparities. Since the latter half of the 1990s, when the Indochinese countries joined ASEAN, there has been a constant presence of different rules for the advanced members and for the other members, which creates an ongoing challenge to furthering integration at a unified pace. If ASEAN, with these characteristics and problems, actually proceeds with broader Asian regional integration negotiations, it will no longer be able to easily play the role of a promoter. For example, with regards to the contents of the RCEP, Singapore and Malaysia have called for wide-ranging liberalization, including not only goods but also services and investment, whereas Indonesia, which is on the receiving end of a flow of cheap Chinese goods and is concerned about a ballooning trade deficit with China, is opposed to FTAs with high liberalization rates. Thus, ASEAN members are not even in agreement on the broad framework for the RCEP.

In order for ASEAN to be viewed as a unified economic actor that ranks alongside the powerful extra-regional countries such as Japan and China in negotiations, it will be necessary to clear a variety of hurdles. For example, it will need to commit itself to addressing not only tariffs but also many nontariff barriers. The import quotas and the requirements for domestic product sales that have been instituted by Indonesia have been left untouched in ASEAN, and so there is a lack of unified mechanisms for the regulatory easing of trade and investment in each country. Moreover, in recent years, political and security problems have been arising. Examples of this include China's territorial problems in the South China Sea and the souring of political relations with Vietnam and the Philippines. Just as the CJK FTA has encountered problems as political animosity has come in the way of those countries' shared economic interest in integration, there is an undeniable possibility that the existence of these political and security problems including ASEAN members and its FTA partners will have a negative impact on the progress of regional integration negotiations.

One positive element, however, is that as exports to Western markets are not expected to rise significantly in the foreseeable future due to the ongoing economic downturn affecting European and other countries around the world, the allure of the ASEAN market has become greater than ever. In the first half of 2012, US\$1.4 billion in capital flowed to ASEAN offshore funds, while net outflows to Chinese and Indian offshore funds were recorded at US\$1.6 billion and \$185 million respectively,⁷ and so the interest of global investors is clearly being attracted. There are even optimistic reports that the AEC would form a US\$2 trillion market by realizing the free flow of goods, services, investment, labor, and the like. In order not to disappoint these global expectations, it is vital that ASEAN act as a more powerful single actor, but to achieve this will require fundamental reforms such as the early implementation of the AEC, the expansion and reinforcement of the secretariat, and the easing of the "ASEAN Way."

JAPAN'S STRENGTH AND WEAKNESS

Japan has established FTAs with ASEAN and with seven ASEAN member nations, but given its dominant trade and economic position, it has an overwhelming advantage over partner countries in terms of bargaining power. As a result, in the majority of cases, Japan has been able to shelve consideration of the elimination of its agricultural tariffs and the FTAs have ultimately reflected Japan's preeminence. This may represent "liberalization without political pain," but to persuade its potential FTA partners, Japan

has in return utilized its economic power to offer benefits in the form of economic cooperation. Although the use of this pattern has enabled Japan to conclude a number of bilateral FTAs while avoiding agricultural liberalization, for that very reason, it is questionable whether Japan will be able to play an active role in a wider regional integration framework such as the TPP. Within such multilateral FTAs, blocs are likely to be formed during negotiations between the numerous exporting nations that share a common objective of gaining access to Japan's agricultural markets.

Among the products that Japan has left untouched in the FTAs that it has signed so far, most of which are agricultural products. The Central Union of Agricultural Co-operatives (known as JA-Zenchu), which has worked against FTAs in the past, has been particularly vehement in its stance against the TPP as, in principle, it would eliminate all tariffs. Prime Minister Abe, who decided to pursue Japan's participation in the wake of his talks with US President Barack Obama in March 2013, has encountered strong resistance from his Liberal Democratic Party, which has been adamant in calling for the complete protection of products categorized as "sanctuaries," including rice, sugar, and dairy products. The market access negotiations in the TPP have been established as bilateral rather than multilateral tracks among 12 countries, and Japan has been pressured to concede on agricultural protection—including on "sanctuary" products—given that the liberalization rates of the FTAs signed by some TPP members such as the United States, Australia, and New Zealand range from 95 to 100 percent. Agricultural liberalization in Japan, if realized within the TPP, would surely be attractive to many ASEAN members including non-TPP member states such as Thailand, one of the world's largest rice exporters, and would thus serve to foster closer economic ties between Japan and ASEAN as well.

As multiple regional integration frameworks emerge, Japan's advantage can be said to lie in its role as a balancer, influencing the directionality of the intertwined initiatives. In other words, while the global economic powerhouses of the United States and China are competing in terms of their own national interests and are promoting the type of regional integration that each desires—a key factor in the proliferation of regional integration frameworks in Asia—Japan's decision on which regional integration frameworks it joins has had a strong impact on the trend. China's concerns about the negative impact the TPP might have on its regional integration policy were so strong that when Japan initially expressed an interest in joining the TPP, China quickly became more flexible in its own talks with Japan. For example, China accepted a proposal from Tokyo to conclude a trilateral investment agreement first among China, Japan, and South Korea (a framework that Beijing had previously resisted due partly to the

required protections for Japanese and South Korean investors). China has also been moving away from its exclusive pursuit of an ASEAN+3 regional framework toward greater interest in the ASEAN+6 framework, which is Japan's preferred arrangement. These two Chinese concessions led to the start of official negotiations on the CJK FTA and the RCEP in 2013.

While the various regional integration initiatives are becoming increasingly intermingled, only Japan thus far has shown an interest in participating in the TPP, RCEP, and CJK FTA. Japan also began FTA negotiations with the EU in 2013, which would serve to harmonize trade and investment policy norms based on those of developed countries and serve as a trend-setter on international trade policy. (For its part, the EU has also commenced negotiations with the United States on an FTA, known as the Transatlantic Trade and Investment Partnership, or TTIP.) Importantly, the TPP, RCEP, and CJK FTA will each offer different potential benefits to Japan, given Japan's relatively unique economic structure in East Asia. Japan's markets and exports differ substantially from those of China and many members of ASEAN. Japan continues to specialize in high-value-added commodity exports, its internationally oriented business sectors have expressed a great deal of interest in the liberalization of services and investment in the region, its machinery and automobile companies have extended their production networks broadly across Asia Pacific, and the strong competitiveness of Japan's manufacturing products—as demonstrated by an average tariff rate of less than 3 percent at home—illustrates the openness of its domestic markets. Given the trade and market features that Japan enjoys, the cost of nonparticipation in the TPP would be high, prohibiting Japan from securing maximum trade and investment benefits as more countries sign on to form a “critical mass.” In fact, liberalization of the service and investment sectors, for example, is quite unlikely to make significant progress under the RCEP or the CJK FTA, partly because China would strongly resist this type of liberalization given that it would require transparency with regard to the business activities of its state-owned companies.

On the other hand, Japan does a significant volume of trade with major Asian countries such as China, South Korea, India, and Indonesia, and as mentioned above, many Japanese companies have set up a wide range of production networks involving these countries, none of which currently participate in the TPP. In addition, these non-TPP members in Asia tend to protect some of their key industries (e.g., China imposes a 25 percent tariff on automobiles), so progress in the RCEP or the CJK FTA remains an important tool to open those key markets to Japanese exports. Accordingly, this complex profusion of regional integration initiatives presents a golden opportunity for the Japanese economy.

RECOMMENDATIONS FOR ENHANCING ASEAN-JAPAN ENGAGEMENT IN REGIONAL INTEGRATION

As noted above, a major obstacle to ASEAN's commitment to and leadership on higher-level regional integration schemes is the variation in stages of economic development among members. This so-called ASEAN divide involves not only divergences in economic performance, but also in such indices as industrial structure, infrastructure, human resources, and the level of privatization. For instance, in Cambodia, Laos, Myanmar, and Vietnam, the main business activity still consists of primary manufacturing and the construction of roads, bridges, and other forms of infrastructure, and most industrial sectors continue to be dominated by state-owned firms. The private sector is still extremely immature. Regional integration is generally considered to be beneficial for promoting structural reform and improving the competitiveness of industry, but if implemented in a premature stage of development, as would be the case with these nations, regional integration with large and advanced economies would surely result in insufficient privatization and a failure to create an efficient private sector.

But while ASEAN clearly has some hurdles to surmount if it is to achieve fuller engagement in regional integration frameworks like the TPP, it is also true that ASEAN is potentially one of the most promising markets in the world. In 2014–2018, for example, the OECD projects that ASEAN will grow between 5.4 percent.⁸ FDI into the region has also increased, reaching US\$100.6 billion in 2013, while intra-ASEAN FDI has increased constantly, reaching US\$21.3 billion in the same year, indicating that ASEAN can be more attractive as a contributor to regional economic growth and employment if it can commit itself to deeper regional integration.⁹ To do so, it is imperative that ASEAN be more strongly unified in its efforts to narrow the development gap among ASEAN member states with a view to sustaining ASEAN's economic growth as a basis for its confident engagement in regional integration initiatives with external states.

Japan has acknowledged its strong interest in ASEAN's economy as Prime Minister Abe has described ASEAN as a "growth center of the world" and has stressed that the two major goals of Japan's official development assistance (ODA) to the region are ASEAN's own economic development and Japan's renewed economic growth.¹⁰ This interest has also been demonstrated by its private sector. According to a survey by JETRO, 17 percent (by value) of overseas deals made by Japanese multinational corporations in 2013 involved ASEAN member economies, compared with 3 percent in 2012. Private sector FDI in ASEAN has also been rapidly growing, reaching US\$13 billion in the first nine months of 2013, which was more

than the US\$10.6 billion total for the whole period of 2012.¹¹ Infrastructure development through Japan's ODA has been fostering an influx of private funding, making its development impact more significant. It has also been supporting the advancement of private companies into Southeast Asia, making the region one of the main investment destinations and the site of important business partners for Japanese private companies. Japan's assistance in ASEAN's integration projects is thus relevant to its own interests, underscoring the continued importance of a public-private partnership (PPP) approach. In February 2014, Sommath Pholsena, Minister of Public Works and Transport of Lao PDR, for instance, highlighted "urban transport, logistics, water supply, in the form of PPP," as areas in which more investments from Japanese companies were needed.

How, then, can ASEAN-Japan cooperation on regional integration be improved? The first recommendation would be for development cooperation, through such mechanisms as ODA, to be squarely linked to ASEAN's regional integration initiatives. In order to promote Japan-ASEAN trade and investment and produce gains from regional integration, the development of infrastructure has been acknowledged as essential, but it is not clear how regional integration moves within ASEAN and through the ASEAN+ frameworks can be sustained and facilitated by certain infrastructure projects. For instance, "connectivity" projects, such as the construction of cross-border highways, aim to advance the East-West Economic Corridor and Southern Economic Corridor on the Indochina Peninsula,¹² but they do not seem to be evolving out of any regional integration schemes. These corridors have made a significant contribution to the physical connection of the Mekong Delta states as well as the expansion of the regional supply chain networks of Japanese automobile and electronics manufacturers. They should, however, be clearly established as a means of promoting regional integration. In other words, it is imperative to identify the logical linkage between this connectivity and the regional integration objective of creating a single market without any trade or investment barriers in Southeast Asia.

To do so, a Japan-ASEAN Integration Forum should be created that gathers government, business, and academic experts as a means of directly conveying the pressing needs and priorities of those sectors as part of the integration process from the business and industrial sectors to relevant government officials. Academic and policy-oriented specialists should serve to provide more macro-level analysis and advice to foster development cooperation specifically designed to promote regional integration. This approach, using intensive multilateral and bilateral dialogues, would assist in the involvement of a concrete and practical policy platform concerning the

linkage of development cooperation and regional integration. This platform should also be incorporated into the ASEAN Secretariat processes with the support of the Economic Research Institute for ASEAN and East Asia (ERIA) and the ASEAN+3 Macroeconomic Research Office (AMRO), and with the strong engagement of the private sector.

Another important method of assisting ASEAN integration would be to promote currency swap agreements. At the end of 2014, Japan reached an agreement with some ASEAN member states to increase the volume of their bilateral currency swap accords; it committed the signatories to provide dollars to one another during a currency crisis, and the upper limit on Japan's emergency supplies of dollars to Indonesia and the Philippines was doubled. Given expectations that the US Federal Reserve would scale down the quantitative easing program, ASEAN member states are faced with the risk that massive amounts of foreign funds will soon leave their financial markets. The currency swap agreements on both the bilateral and multilateral tracks should be expanded not only to sustain the regional safety net to cope with a possible financial crisis through the provision of short-term liquidity, but also to promote the use of the yen in ASEAN and its member markets in the same way that China, through its financial cooperation, has been promoting the use of the yuan in trade and investment settlements. This will be instrumental in stabilizing ASEAN's financial markets—a key condition for deeper regional integration—and will serve as a catalyst for establishing closer economic ties between Japan and ASEAN.

Many ASEAN companies do not regard FTAs or regional integration as useful in facilitating the growth of their businesses, and as a result, the ASEAN governments find “no pressure from ASEAN businesses to move faster on regional economic integration,” as Rodolfo Severino Jr., former ASEAN secretary-general has pointed out.¹³ One of the primary reasons for this is simply a lack of awareness. As many as 55 percent of the ASEAN firms that responded to an Asian Development Bank survey published in December 2013 were not aware that the AEC would be established in 2015. In fact, 77 percent of Indonesian companies, 80 percent of Filipino companies, 86 percent of Singaporean companies, and 76 percent of Vietnamese companies responding were not aware of it. This is therefore an area where Japanese business and industry associations, which have thus far urged the Japanese government to promote more FTAs, can help their ASEAN counterparts by providing information on the usefulness of FTAs and regional integration, including how companies can effectively utilize FTAs. ASEAN companies' growing awareness of regional integration will bring benefits to Japanese companies, especially when they are buyers and sellers in the same supply chain networks.

One helpful approach to enhancing ASEAN companies' awareness of the benefits of regional integration would be to encourage their participation in the annual dialogue between the secretary-general of ASEAN and the Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA). This was established in 2008 for the purpose of sharing with the ASEAN Secretariat the issues faced by Japanese companies operating in ASEAN. For instance, the list of requests made during the 2014 dialogue covered "customs facilitation, reduction of non-tariff barriers, establishment and introduction of unified standard and conformity assessment systems, avoidance of double taxation, liberalization of services, free flow of business persons, and protection of intellectual property rights."¹⁴ These are all pertinent to the interests and concerns of Southeast Asian companies as well, and Japanese and ASEAN business leaders' joint participation in economic and business dialogues with the ASEAN secretary-general and, hopefully, with trade and economic ministers from member states, would help to identify common problems encountered by both Japanese and Southeast Asian companies and would serve as an effective mechanism for conveying their views and opinions on ASEAN economic cooperation directly to the appropriate government figures. This approach would also be instrumental in creating more opportunities for ASEAN and Japanese companies to forge business partnerships or joint investments outside of Southeast Asia, for example in India, which is an RCEP participant.

Finally, to take advantage of the opportunities afforded to it through participation in multiple regional integration negotiations, Japan should consider measures to enhance the quality of the RCEP. An effective approach to adopt is to not regard these three integration frameworks (RCEP, TPP, and CJK FTA) separately, but rather bind them together to link their contents as much as possible. Japan should outline a single comprehensive integration strategy that takes ASEAN's perspective into account to identify more agendas that can be pursued by both RCEP and TPP. To be able to ascertain the content and progress of negotiations on the RCEP in view of TPP negotiations on trade and investment liberalization, for instance, it is imperative that Japan take the initiative by carefully examining those "WTO-plus" items being pursued in the TPP—state-owned enterprises, intellectual property, government procurement, competition policy, the environment, and labor standards—to determine what kind of WTO-plus issues are negotiable under the RCEP framework, and to ensure that the RCEP involves and implements high-quality integration agendas by building a coalition with like-minded countries from ASEAN, such as Singapore (Japan's first FTA partner). Accordingly, close and frequent contact among the negotiators working on the two integration frameworks is undoubtedly

essential. The establishment of a dialogue among senior negotiators and ministers from nations participating in both the TPP and the RCEP talks—i.e., Japan, Singapore, Brunei, Malaysia, Vietnam, Australia, and New Zealand—is recommended as a useful and important platform.

CONCLUSION

This chapter is premised on the observation that the emergence of multiple regional integration frameworks is a golden opportunity for Japan's economic future, and that it could be so for ASEAN as well if some of the "innate" problems within ASEAN, such as its lowest common denominator approach to liberalization, can be modified. In short, Japan does not see ASEAN as a regional integration initiative similar to the EU or the North American Free Trade Agreement, and thus it is not interested in developing the RCEP, which is based on ASEAN's flexible approach to regional integration, into a rulemaking framework like the TPP. Yet, Japan is well aware that the RCEP cannot be an attractive regional integration framework without ASEAN's sound development. This is the rationale behind Japan's commitment to assisting ASEAN in its effort to promote regional integration or the formation of a single market to attain higher economic growth.

It is true that the different agendas involved in the TPP, the RCEP, and the CJK FTA make predictions about the possible merger of these regional integration frameworks inherently difficult, although the existing "spaghetti bowl" of bilateral FTAs in East Asia has been referred to as complicating their trade from multinational companies in Japan and other states in the region. As a result, a broader regional integration framework appears desirable to ensure consistent rules and opportunities for these businesses. Nevertheless, as this chapter has emphasized, the TPP and the RCEP are too different to be merged into one order. Among other differences, the two frameworks include notable variations regarding competition policy related to state-owned enterprises. The TPP is also more open to newcomers, whereas inclusion in the RCEP requires first concluding a bilateral FTA with ASEAN. The TPP's openness provides it with greater political influence than the other agreements, as seen in Japan's entry into the TPP talks in September 2013 and South Korea's announcement about its possible participation in December 2013, which has in turn put pressure on China to respond. Depending on developments related to the Shanghai Free Trade Zone, the ongoing US-China Bilateral Investment Treaty talks, and the outcome of the TPP negotiations, China could become more positively inclined to join the TPP in the future. In short, China is the key actor in

this regional integration game, and it is this factor that suggests the need for Japan, and especially Prime Minister Abe, to promote ASEAN cooperation in the efforts toward regional integration in Asia.

NOTES

1. Abe previously served as prime minister of Japan from September 2006 until September 2007, when he resigned due to illness.
2. Particularly since 2011, the American president now visits Southeast Asia at least once a year to participate in the EAS, and so ASEAN is maintaining the function of providing an opportunity for the leaders of the United States and China to participate in a multilateral forum and promote their dialogues.
3. *Nihon Keizai Shimbun*, November 20, 2011.
4. Evaluations of ASEAN's role in regional cooperation, including regional integration in the wider East Asia, are starkly divided among international relations specialists. Stressing the contribution ASEAN made by bringing three Northeast Asian countries to participate in ASEAN+3, Mahbubani asserts that ASEAN should be viewed as a "diplomatic superpower" and "peacemaker" in East Asia, and Zhang views ASEAN as a "pathfinder in developing regional convergence in East Asia." On the other hand, some, like Jones and Smith, cast doubts on ASEAN's commitment on institutionalizing the ASEAN+3 framework, as they argue that ASEAN norms such as nonintervention and the principal of nonbinding consensus prevent deeper integration within ASEAN, not to mention the wider East Asian region. See Kishore Mahbubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East* (New York: PublicAffairs, 2008); Zhang Yunling, *China and Asian Regionalism* (Singapore: World Scientific Publishing, 2010); and David Martin Jones and Michael L.R. Smith, "Making Process, Not Progress: ASEAN and the Evolving East Asian Regional Order," *International Security* 32, no. 1 (2007): 148–84.
5. Martin Hutagalung, "ASEAN: An Integrated Market?" in *ASEAN: Life after the Charter*, ed. Sivakent Tiwari (Singapore: Institute of Southeast Asian Studies, 2010), 141–44.
6. Cited in Reuters.co.jp, August 1, 2012.
7. Ibid.
8. OECD, "Economic Outlook for Southeast Asia, China, and India 2014: Beyond the Middle-Income Trap," <http://www.oecd.org/site/seao/Pocket%20Edition%20SAEO2014.pdf>.
9. ASEAN, "Foreign Direct Investment Net Inflows, Intra- and Extra-ASEAN," <http://www.asean.org/images/resources/Statistics/2014/ForeignDirectInvestment/Aug/Table%2025.pdf>.
10. Cited in *Nikkei Asian Review*, December 19, 2013.
11. Cited in *Nihon Keizai Shimbun*, December 17, 2013.
12. Japan announced it would provide ¥200 billion in total aid to areas along the Mekong River through financial support for about 70 projects.

13. Rodolfo C. Severino, *Southeast Asia in Search of an ASEAN Community: Insights from the Former ASEAN Secretary-General* (Singapore: Institute of Southeast Asian Studies, 2006), 249.
14. Mission of Japan to ASEAN, "The 7th Dialogue between Secretary-General of ASEAN and FJCCIA," http://www.asean.emb-japan.go.jp/release/release14_62.html.